

**IN THE IOWA DISTRICT COURT FOR POLK COUNTY**

IOWA DEPARTMENT OF HUMAN  
SERVICES,

Plaintiff,

v.

MORSE HEALTHCARE SERVICES,  
INC. d/b/a FAITH RIDGE LIFE  
CENTER, MORSE ENTERPRISES,  
INC. d/b/a KEVINGTON LANE,  
MANOR OF MALVERN, INC.,  
KEVINGTON LANE, INC., and MARY  
MORSE-BOLTON,

Defendants.

No. EQCE075708

**JOINT REPORT TO COURT AND  
REQUEST FOR APPROVAL OF  
CERTAIN ACTION**

**[EXPEDITED RELIEF REQUESTED]**

COMES NOW, Plaintiff Iowa Department of Human Services (“the Department”) and Receiver Klaasmeyer and Associates, Inc. (“the Receiver”), and state and jointly request of the Court as follows:

1. On February 13, 2014, by order (“the Order”), the Court established a receivership over Defendants and appointed the Receiver to Defendants.
2. On February 14, 2014, the Receiver assumed control over the finances and delivery of health care services at Kevington Lane and Faith Ridge Life Center in Sidney, Iowa, and Malvern, Iowa, respectively.
3. The Receiver has made a good faith effort to survey the financial situation of Kevington Lane and Faith Ridge Life Center. Based upon that survey, it is the opinion of the Receiver that Kevington Lane and Faith Ridge Life Center are in financial peril.

Kevington Lane and Faith Ridge Life Center have little to no income and, upon information and belief, in the months prior to appointment of the Receiver, Kevington lane and Faith Ridge Life Center were operating at a loss and dependent on loans from individual(s) associated with the ownership of Kevington Lane and Faith Ridge Life Center for continued operations.

4. There are substantial debts owed to the Iowa Medicaid program. Iowa Medicaid suspended all payment to Kevington Lane and Faith Ridge in light of these outstanding debts, pursuant to its administrative rules promulgated effective January 1, 2014. There are also substantial amounts past due and owing to creditors and vendors.

5. It is the opinion of the Receiver that, given available assets and liabilities, Kevington Lane and Faith Ridge Life Center are not financially viable, cannot continue to operate, and should be wound down in an orderly fashion to ensure, as the Court has directed, that the Department's right to recover overpayments of medical assistance funds are satisfied.

6. For example, there is presently no money to pay for propane used for heat and cooking at Kevington Lane, and the Receiver has already expended its own funds to ensure the individuals at Kevington Lane have heat and can cook food. The Receiver has determined that the fire alarm and prevention system at Faith Ridge is not functional and payment is required to get it in working order. Payroll is due Friday, and there are insufficient funds to meet payroll. Bank accounts are empty or overdrawn. Residents of Faith Ridge Life Center have not been receiving needed therapy and dietary services, and Defendants were not paying for workers' compensation insurance for employees.

7. Unless the Receiver receives income in an expedited manner, the Receiver will be unable to provide necessary services at Faith Ridge Life Center and Kevington Lane, which would imperil the health, safety, and welfare of the individuals living in, or being served by, Kevington Lane and Faith Ridge Life Center. These individuals and their guardians and caseworkers need time to find alternative health care services, and the Receiver needs additional time to conduct the wind-down of Kevington Lane and Faith Ridge Life Center in an orderly and safe transition.

8. In light of the exigencies regarding the health, safety, and welfare of Iowa Medicaid members, the Director of the Iowa Department of Human Services is willing to grant an Exception to Policy under the Department's rules and permit additional medical assistance funds to be paid to Kevington Lane and Faith Ridge Life Center ("the First Payment") on an immediate basis notwithstanding the pending administrative sanctions and withholdings of payments under 441 IAC chapter 79. Without waiving these sanctions and withholdings of payments, the Director requests, and the Receiver agrees, that the First Payment (1) shall be used to care for Iowa Medicaid members and fund the associated administrative expenses to wind down Kevington Lane and Faith Ridge Life Center in an orderly and safe fashion; (2) shall be used to pay for present services and not to repay Defendants' prior debts to creditors and vendors; and (3) be deemed to be costs of the receivership for purposes of the Order, so that the Department may later seek to recoup these funds from Defendants upon liquidation. The precise amount of the First Payment shall be determined by the Department as an interim Medicaid rate and shall be subject to later reconciliation based on allowable cost.



9. The Receiver requests that the Court further authorize it to exercise the powers in Iowa Code Chapter 680 with the specific authority to engage in the following necessary functions:

- a. pay such expenses as minimally required to stabilize Defendants and ensure the health, safety and welfare of those individuals residing there until they can be moved;
- b. provide healthcare services to those people residing at Defendants' entities;
- c. establish new bank account(s) for Defendants;
- d. receive, deposit, withdraw, and manage funds paid to Defendants;
- e. maintain health, clinical, financial and other necessary records for Defendants;
- f. identify outstanding liabilities and assets of Defendants;
- g. receive mail;
- h. explore and recommend to the court any possible sale of Defendants, or real or personal property belonging to those entities;
- i. such additional actions as are reasonably needed in light of the purpose of the receivership and to ensure the health, safety and welfare of the people residing at Defendants.

10. The Receiver requests the Court authorize the Receiver to receive payment in the amount of \$75 hour per hour, not to exceed 200 hours per month, for its services in winding down the facility. The Receiver also requests that such payment to the Receiver

be considered a cost of the receivership for purposes of the Order. The Department finds the Receiver's request to be reasonable and does not object to the Receiver's request.

11. The Receiver requests permission from the Court to hire counsel to assist with its legal obligations, including the sale of assets, negotiating with creditors, and reporting to the Court. The Receiver also requests that the reasonable cost of counsel be considered a cost of the receivership for purposes of the Order, and that the Receiver be permitted to set aside \$5,000 from the First Payment as a retainer for such counsel. Jeffrey W. Courter of Nyemaster, Goode law firm in Des Moines, Iowa has agreed to represent the receiver in this matter. The Department does not object to this request.

12. The Receiver and Counsel for the Receiver shall submit monthly reports and fee applications to the Court going forward. No fees shall be paid to the Receiver or Counsel for the Receiver without prior Court approval.

WHEREFORE, the Department and the Receiver jointly request that the Court enter an order (1) authorizing the Receiver to wind down Kevington Lane and Faith Ridge in an orderly and safe fashion; (2) deeming the First Payment as cost of the receivership for purposes of the Order; (3) authorizing the Receiver to exercise the powers in Iowa Code Chapter 680 and detailed in Paragraph 9; (4) approving the Receiver's fee, as set forth above; and (5) permit the Receiver to hire counsel, as set forth above; and for such other and necessary relief to ensure that the Department's right to recover overpayments of medical assistance funds are satisfied, as the Court has ordered.

Respectfully submitted,

Ken Klaasmeyer

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